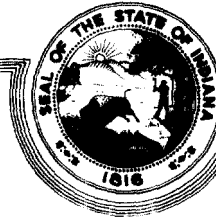


# STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION  
302 W. WASHINGTON STREET, ROOM E306



INDIANAPOLIS, 46204

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Juy 12, 1996

VIA FEDERAL EXPRESS

William F. Canton, Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

Re: In the Matter of Implementation of the Pay Telephone Reclassification and  
Compensation Provisions of the Telecommunications Act of 1996

Dear Secretary Canton:

Enclosed are an original and ten copies of reply comments of the Indiana Utility  
Regulatory Commission in response to the Notice of Proposed Rulemaking in the  
above-captioned docket.

Also, please find enclosed an additional copy and self-addressed return envelope, to  
be date-stamped received and returned

If you have any questions, please call me at (317) 232- 2737.

Sincerely,

Robert C. Glazier  
Director of Utilities

Enclosures

2011

UNITED STATES OF AMERICA  
Before The  
Federal Communications Commission

ORIGINAL

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re: Implementation of the Pay )  
Telephone Reclassification and )  
Compensation Provision of the )  
Telecommunication Act of 1996 )

CC Docket Number 96-128

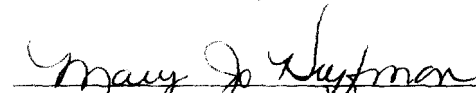
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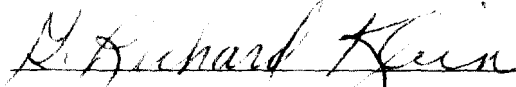
COMMENTS OF THE INDIANA UTILITY REGULATORY COMMISSION


Indiana Utility Regulatory Commission  
302 West Washington Street, E-306  
Indianapolis, Indiana 46204

Adopted by the Commission:

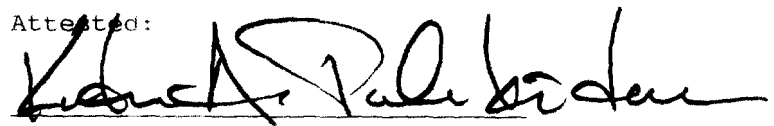
  
John F. Mortell, Chairman

  
Mary Jo Huffman, Commissioner

  
G. Richard Klein, Commissioner

  
David E. Ziegner, Commissioner

Attested:

  
Kostas Poulakidas, Exec. Director

Date:

JUL 12 1996

Indiana Utility Regulatory Commission July 12, 1996

BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

In The Matter of

Implementation of the Pay  
Telephone Reclassification and  
Compensation Provision of the  
Telecommunications Act of 1996

CC Docket No. 96-128

COMMENTS OF THE  
INDIANA UTILITY REGULATORY COMMISSION

The Indiana Utility Regulatory Commission ("IURC") hereby submits its reply comments in response to the Federal Communications Commission ("FCC") Notice of Proposed Rulemaking ("Notice") adopted on June 4, 1996.

Our reply comments focus on the compensation rate for local sent-paid calls. The Notice presented three options:

- 1) set a nationwide local coin rate for all calls originated from payphones.
- 2) establish specific national guidelines that the states would use to establish a local rate that would ensure

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<sup>1</sup> In the Matter of Implementation of the Pay Telephone Reclassification of Compensation Provisions of the Telecommunications Act of 1996, CC Docket 96-128, Adopted June 4, 1996.

Indiana Utility Regulatory Commission July 12, 1996

that all public service providers are fairly compensated or,

- 3) defer to the states to continue to set the local coin rates for local payphone calls according to factors within their discretion.<sup>2</sup>

In previous comments the IURC Staff agreed with the option of allowing the states to set the local coin rates. The IURC Staff did not believe a national local coin rate was warranted because some states have higher payphone costs than others.<sup>3</sup> The IURC Staff was concerned that a nationwide rate may result in subsidies among states for payphone charges.<sup>4</sup> Furthermore, any confusion a customer may have about the local coin rate does not outweigh the concern of setting the rates based on cost that is above or below its appropriately cost determined rate or what a state determines.<sup>5</sup>

In their comments to the FCC, the Florida Public Service Commission supported an alternative option.

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<sup>2</sup> In the Matter of Implementation of the Pay Telephone Reclassification of Compensation Provisions of the Telecommunications Act of 1996, CC Docket 96-128, Adopted June 4, 1996, at 14.

<sup>3</sup> Comments of the Staff of the Indiana Utility Regulatory Commission In The Matter of Implementation of the Pay Telephone Reclassification and Compensation Provision of the Telecommunications Act of 1996, CC Docket No. 96-128, at 4.

<sup>4</sup> Id.

<sup>5</sup> Id.

Indiana Utility Regulatory Commission July 12, 1996

We believe that a nationwide sent-paid local coin maximum rate or cap should be established with an expressly stated mechanism so that a state may petition for a variance from the nationwide cap. With the variance in what is paid for underlying services, it is conceivable that the nationwide send-paid local calling rate cap may not be appropriate for all states in all circumstances.<sup>6</sup>

The IURC supports the Florida Public Service Commission's option in only one case: when states do not directly regulate payphone rates. In this case the IURC still has concerns about setting a nationwide maximum rate or cap. They focus on the problem of determining the cost of a local coin call and the mechanism for petitioning the FCC to raise the maximum rate or cap.

Before any maximum rate or cap is set, the FCC should obtain two independent studies on the cost of a local coin call for the following classes of payphone companies:<sup>7</sup>

- 1) small private payphone owners (<10 payphones)
- 2) medium private payphone owners (at least 11 payphones < 100 payphones)
- 3) large private payphone owners (at least 101 payphones < 500 payphones)

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<sup>6</sup> Comments of the Florida Public Service Commission In The Matter of Implementation of the Pay Telephone Reclassification and Compensation Provision of the Telecommunications Act of 1996, CC Docket No. 96-128, at 3.

<sup>7</sup> The cost studies may also need to incorporate geographic differences. Similar to the cost of providing local service, sparsely populated areas may have higher costs than densely populated areas.

Indiana Utility Regulatory Commission July 12, 1996

- 4) very large private payphone owners (>501 payphones)
- 5) small LEC (< 50,000 lines)
- 6) large LEC (>50,001 lines)

Two indendent studies are necessary because a cost study must make assumptions about the allocation of joint and common costs and no two cost studies will generate the same cost figure. For example, on the per-call compensation rate for consumers who bypass the independent payphone provider's toll carrier, cost estimates ranged from \$.083 to \$.55 per call.<sup>8</sup>

The segmentation is necessary because the IURC believes a cost study on an aggregation of firms will mask the obvious cost differentials relative to size. Payphone providers range from entrepreneurs with one or two payphones who use the income to supplement their regular income to large LECs with thousands of payphones.

Using these cost studies, the FCC would establish the price of a local coin call for each class of payphone company based on the cost for each class of payphone company to provide the call.

Regarding the mechanism for a state to waive the nationwide maximum rate or cap, states should be permitted to petition for a

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<sup>8</sup> In the Matter of Implementation of the Pay Telephone Reclassification of Compensation Provisions of the Telecommunications Act of 1996, CC Docket 96-128, Adopted June 4, 1996, at 22, footnote 103 referring to comments by MCI and the Illinois Public Telecommunications Association.

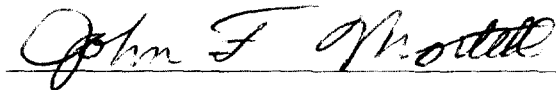
Indiana Utility Regulatory Commission July 12, 1996

waiver of the nationwide maximum rate or cap.

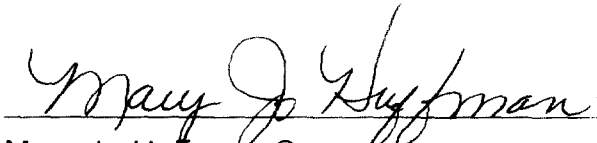
In the Matter of Implementation of the Pay Telephone Reclassification and  
Compensation Provisions of the Telecommunications Act of 1996  
CC Docket 96-128

Indiana Utility Regulatory Commission  
Indiana Government Center South  
302 West Washington, Suite E306  
Indianapolis, Indiana 46204

Respectfully Submitted:



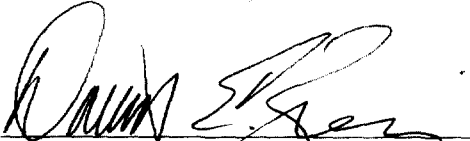
John F. Mortell, Chairman



Mary Jo Huffman, Commissioner



G. Richard Klein, Commissioner



David E. Ziegner, Commissioner



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